

# **OTTAWA COUNTY VISITORS' BUREAU**

## **Audit Report**

**For the Six Months Ending December 31, 2004**

***CHARLES E. HARRIS & ASSOCIATES, INC.***  
**Certified Public Accountants and Governmental Consultants**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Ottawa County Visitors' Bureau  
770 S. E. Catawba Road, Rt. 53 North  
Port Clinton, Ohio 43452

We have reviewed the *Report of Independent Accountants* of the Ottawa County Visitors' Bureau, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ottawa County Visitors' Bureau is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

March 27, 2006

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**OTTAWA COUNTY VISITORS' BUREAU**  
**Audit Report**  
**For the Six Months Ending December 31, 2004**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees  
Ottawa County Visitors Bureau  
Ottawa County, Ohio

We have audited the accompanying financial statements of the Ottawa County Visitors' Bureau, Ottawa County, Ohio (the Bureau) as of and for the six months ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Bureau's management. Our responsibility is to express an opinion these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Bureau has presented these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Bureau to reformat its financial statement presentation and make other changes effective for the six months ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for the six month period, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for the six month period. While the Bureau does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Bureau has elected not to reformat its statements. Since this Bureau does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the six months ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Bureau as of December 31, 2004, or its changes in financial position for the six months then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Ottawa County Visitors' Bureau, Ottawa County, as of December 31, 2004, and its cash receipts and disbursements for the six months then ended on the accounting basis Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Bureau to include Management's Discussion and Analysis for the six months ended December 31, 2004. The Bureau has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2005, on our consideration of the Bureau's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***  
September 26, 2005

**OTTAWA COUNTY VISITORS' BUREAU  
OTTAWA COUNTY, OHIO  
Statement of Cash Receipts and Disbursements  
And Changes in Fund Cash Balances  
For the Six Months Ending December 31, 2004**

**Receipts:**

Taxes	\$ 317,282
Great Lake Adventure Advertising	82,395
Lake Erie Action Packed (LEAP) Revenue	2,667
Ticket/Video Revenue	26,306
Lake Erie Island Reg. Association Income	42,896
Sponsorship Fees	97
Room Rental Fees	67
Interest Earned	94

**Total Receipts** **471,804**

**Disbursements:**

Payroll and Taxes	70,366
Rent and Utilities	23,734
Office Supplies	6,605
Promotional Mailings	14,790
Building Maintenance	13,785
Travel Shows	3,931
Meetings and Seminars	207
Insurance	23,540
Professional Fees	68,358
Publications	565
Vehicle	4,191
Great Lake Adventure Advertising	39,638
Public Relations	68,655
Employee Welfare	4,116
Promotional Feedback	1,608
Ticket Expenses	7,336
LEAP Expenses	30,142
Principal Payment	4,651
Interest Expense	42,683
Capital Expenditures	54,807

**Total Disbursements** **486,985**

**Excess of Receipts Over/Under Disbursements** **(15,181)**

**Beginning Fund Balance July 1, 2004** **54,185**

**Ending Fund Balance December 31, 2004** **\$ 39,004**

The notes to the financial statements are an integral part of this statement.



**Ottawa County Visitors' Bureau  
Notes to the Financial Statements  
For the Six Months Ending December 31, 2004**

**NOTE 1 – NATURE OF OPERATIONS**

The purpose for which the Ottawa County Visitors' Bureau (Bureau) is to encourage economic development in Ottawa County, Ohio through promotion of tourism and to encourage and promote, through advertisement and other educational and informational means, travel to and visitation in the entire County of Ottawa, Ohio by persons nonresident of said County, for pleasure, business and other purposes.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** – These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed by the Auditor of State.

**Change in Year-end** – The Bureau chose to change its year-end from June 30 to December 31.

**Income Taxes** – the Ottawa County Visitors' Bureau is a non-profit organization exempt from Federal income tax under Section 501(c)(6) the Internal Revenue Code.

**Cash and Investments** – Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements accordingly.

**NOTE 3 - REVENUE**

The Bureau receives tax revenue from the Ottawa County bed tax. The tax is assessed and collected by the County Auditor and is ultimately remitted to the Ottawa County Visitors' Bureau. The Bureau also sells advertising space in its annual visitors' guide, known as the GREAT LAKES ADVENTURE (GLA).

In 1999, the Bureau added the LAKE ERIE ACTION PACK (LEAP) campaign to promote tourism during the week. This program sells travel packages that include accommodations, meals, ferry service, Cedar Point tickets, etc. It then remits the fees charged to the various hotels, restaurants, ferry services, Cedar Point and occasionally travel agent commissions. The net revenue earned is minimal.

**Ottawa County Visitors' Bureau  
Notes to the Financial Statements  
For the Six Months Ending December 31, 2004**

**NOTE 4 – OPERATING LEASES**

On June 28, 2002 the Bureau entered into a three-year operating lease for a Minivan with monthly payments of \$479. The lease expense for second half of 2004 was \$2,874.

The Bureau entered into a 45-year land lease in August 2001 for land located on State Route 53 on which its new facility is located. The lease expense for the six months ended December 31, 2004 was \$8,280.

In June 2002, the Bureau entered into a 5-year lease for a copy machine. The lease calls for monthly rental payments of \$248 plus a per copy surcharge. The lease expense for the six months ended December 31, 2004 was \$1,488.

The future minimum rental payments related to the above-mentioned leases are:

Year Ending December 31	Minivan Lease	Land Lease	Copier Lease
2005	\$ 2,884	\$ 16,560	\$ 2,976
2006	-	17,400	2,976
2007	-	17,400	1,488
2008	-	18,200	-
2009	-	18,200	-
2010 - 2046	-	1,105,440	-
Totals	<u>\$ 2,884</u>	<u>\$ 1,193,200</u>	<u>\$ 7,440</u>

**NOTE 5 – SIMPLE IRA**

On June 1, 2000 the Bureau established a Simple IRA for all employees who have earned at least \$5,000 in the previous two years and are expected to earn at least \$5,000 in the current year. The Bureau will match employees' salary deferral up to 3% of employees' compensation. The pension expense for the half year ended December 31, 2004 was \$1,225.

**NOTE 6 – DEBT**

Debt activity for the six months ending December 31, 2004 is as follows:

	Balance 7/1/04	Restatement of 7/1/04 Balance	Retired	Balance 12/31/04
First National Bank	\$ 1,187,000	\$ 1,187,957	\$ (9,792)	\$ 1,178,165
USDA	892,196	934,512	(7,891)	926,621
Ottawa County	-	100,000	(25,000)	75,000
<b>Total Debt</b>	<u>\$ 2,079,196</u>	<u>\$ 2,222,469</u>	<u>\$ (42,683)</u>	<u>\$ 2,179,786</u>

**Ottawa County Visitors' Bureau  
Notes to the Financial Statements  
For the Six Months Ending December 31, 2004**

**NOTE 6 – DEBT – (continued)**

The mortgage payable debt dated June 12, 2003 with First National Bank is secured by all assets, guaranteed by the USDA, payable in monthly installments of \$7,460 including interest at 6.25%, and due July, 2033.

The mortgage payable debt dated June 12, 2003 with the US Department of Agriculture is secured by all assets, payable in monthly installments of \$4,817 including interest at 4.5%, and due July, 2033.

The Bureau received a loan dated June 25, 2004 of \$100,000 from the Ottawa County Commissioners at 4% interest. The grant is to be paid back in four yearly installments of \$25,000 starting December 15, 2004 with final payment due December 15, 2007.

**NOTE 7 – CONCENTRATIONS OF CREDIT RISK**

The Bureau maintains four accounts for its cash balances of \$39,004 in one financial institution located in northern Ohio. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2004 the Bureau's uninsured cash balances totaled \$ -0-.

**NOTE 8 - CONTINGENT LIABILITIES**

The Visitors' Bureau may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Visitors' Bureau legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Visitors' Bureau.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Ottawa County Visitors' Bureau  
Ottawa County, Ohio

We have audited the financial statements of Ottawa County Visitors' Bureau, Ottawa County, Ohio (the Bureau) as of and for the six months ended December 31, 2004, and have issued our report thereon dated September 26, 2005, wherein we noted the Bureau prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Bureau's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we reported to the management of the Ottawa County Visitors' Bureau, Ottawa County, Ohio, in a separate letter dated September 26, 2005.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Bureau's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and used of the finance committee, management, and Bureau Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

*Charles E. Harris & Associates, Inc.*  
September 26, 2005

STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ending June 30, 2004 reported no material citations or recommendations.



**Auditor of State  
Betty Montgomery**

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**OTTAWA COUNTY VISITORS' BUREAU**

**OTTAWA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 6, 2006**